



## Corporate Compliance Program and Ethics and Compliance Desk Procedures

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August 29, 2002

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Owner: Ethics and Compliance

### Program

This Ethics and Compliance Program describes the procedures and organizational structure that the Ethics and Compliance group has established to implement the Code of Conduct and other Company policies (the "Compliance Program") and describes its obligations and the procedures for investigating reports of inappropriate bids, proposals, plant operation decisions or other improper company conduct.

### Organization for Ethics and Compliance

- I. Audit Committee of the Board of Directors
  - A. The Audit Committee of the Company Board of Directors ("Audit Committee") oversees the Compliance Program and the activities of the Chief Compliance Officer ("CCO").
  - B. The CCO provides the Audit Committee (and other members of the Company Board of Directors)<sup>1</sup> and the Chief Executive Officer ("CEO") a quarterly report of compliance activities and all reported violations of the Code of Conduct and other significant allegations of policy violations investigated by the CCO and any applicable disciplinary actions. The report includes a summary of the number, type and general description of investigations, the general results of the investigation, steps taken to address and correct any problems, and a certification by the CCO signed under oath that the problems have been adequately addressed and rectified.
  - C. The CCO reviews with the Audit Committee semi-annually the efforts of the Company to detect and prevent violations of the Code of Conduct and significant revisions to the Company's programs and policies related to the Company's expectations of ethical behavior.
- II. Chief Compliance Officer
  - A. The CCO has operational responsibility to oversee compliance with the Compliance Program and to ensure that employees are trained regarding their responsibilities and obligations under applicable laws, regulations and necessary tariffs.
  - B. The CCO reports directly to the CEO of the Company and the Chairperson of the Audit Committee, and consults with other members of management as necessary and appropriate.
  - C. The CCO is responsible for maintaining a compliance telephone "hotline" (managed by a third party) to encourage individuals to anonymously report any allegation of violation of law, regulation, tariff or the Code of Conduct (or any other Company policy) and/or to request information or guidance on any compliance issue. The CCO is also responsible for evaluating other methods of communication and implementing if practical.
  - D. For all matters related to allegations of violations of laws, regulations, tariffs or violations of Company policies related to the Code of Conduct under investigation, the CCO is advised on at least a quarterly basis of the status of any investigations. The CCO is responsible for ensuring that any violation of the Code of Conduct and other Company policy violation is appropriately and consistently handled.
  - E. The CCO may designate or engage individuals with expertise in a particular area to assist in assuring compliance or investigations.
  - F. The CCO approves the ethics education curriculum on an annual basis.
  - G. The CCO reviews the Company's hiring procedures and promotion criteria practices to ensure that only persons of integrity are hired and promoted on an annual basis. The CCO recommends to the OEC changes in procedures and criteria as appropriate.

<sup>1</sup> The Audit Committee Charter, available at [Reliant.com](http://Reliant.com), has additional governance principles relevant to the Audit Committee's role in the Compliance Program.



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- H. The CCO will ensure Reliant's full cooperation with the Government and the Department of Justice regarding the matters detailed in the Deferred Prosecution Agreement effective March 6, 2007 ("DPA")<sup>2</sup>.
- I. The CCO will inform the United States Attorney's Office and/or the Department of Justice of any new matter reported to the Audit Committee that involves substantial and credible evidence of any federal criminal law violation during the term of the DPA.
- J. The CCO will provide the Federal Energy Regulatory Commission upon request and pursuant to appropriate confidentiality provisions with copies of emails, instant messages ("IM"), audiotapes and communications, if any, by Reliant's power traders with market participants in the U.S.
- III. Office of Ethics and Compliance
- A. The OEC is responsible for promoting high ethical standards throughout the Company and ensuring the overall effectiveness of the Compliance Program.
- B. Members of the Office of Ethics and Compliance (the "OEC") are the:
- Chief Executive Officer
  - Chief Financial Officer
  - Chief Risk Officer
  - General Counsel
  - Chief Compliance Officer
- C. The CCO presents to the OEC a summary, status and ultimate resolution (including disciplinary action, if appropriate) allegations of:
- Unethical behavior
  - Violations of state and federal laws and regulations
  - Violations of Company policies that are likely to become material litigation
  - Officer misconduct
  - Significant trends
- D. A majority of the members of the OEC constitutes a meeting quorum. The CCO serves as the chairperson of the OEC.
- E. The OEC reviews the procedures to identify, report and investigate policy violations reported to the Chief Compliance Officer.
- IV. Ethics and Compliance Office
- The Ethics and Compliance Office ("E&C") has day-to-day responsibility to:
- A. Monitor and respond to allegations of misconduct.
- B. Report to the CCO within 24 hours knowledge or concerns about unlawful conduct by anyone at the Company.
- C. Collaborate with other functional groups to determine whether the allegation should be investigated and who should investigate according to the "Issue Matrix" (Attachment A).
- D. Ensure prompt investigation of allegations raised.
- E. When appropriate, inform the stakeholders of investigations the status, findings, and proposed resolution.
- F. Maintain records of all matters reported to the CCO or the E&C, including the status and ultimate resolution (including disciplinary action, if appropriate) of each issue.
- G. Prepare activity summary reports for the Audit Committee and the OEC.
- H. Design, administer, track and report on an annual ethics education curriculum that includes:
- a minimum of 2 ethics modules annually
  - a module at least every two years for employees to retain familiarity with the Code of Conduct
  - other modules relevant to a group's area of responsibility.
- I. Ensure that employees involved in the purchase or sale of electricity or natural gas are educated and trained annually on their obligations under the Federal Power Act and applicable laws, regulations and tariffs.

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<sup>2</sup>Term of Deferred Prosecution Agreement is twenty-four months (through March 6, 2009).



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- J. Ensure that employees involved in government contracting successfully completes all required ethics education modules before participating in government business.
  - K. Monitor trading activity, including locating an employee who reports to the CCO on the trade floor(s) and randomly monitor emails, telephone conversations and instant messages.
  - L. Retain records of the monitoring activities for at least 6 months following the term of the DPA.
  - M. Conduct surveys to measure the effectiveness and to improve the Compliance Program. Survey results are reported to the Audit Committee and a summary of the survey results will be made available to employees.
  - N. Maintain policy acknowledgements records confirming that:
    - Every director and employee of the Company acknowledges that he or she has reviewed, understands and will comply with the Code of Conduct.
    - Each employee hired and each new director has, within thirty days from the first date of employment or directorship with the Company, received the Code of Conduct and acknowledged that he or she has reviewed, understands and will comply with the Company's expectations of ethical behavior.
  - O. Communicate to all the Company employees:
    - The Company is committed to the Code of Conduct and expectations of ethical behavior.
    - No employee will suffer any penalty or retribution for good faith reporting of any suspected misconduct or impropriety.
    - Reports of suspected misconduct or impropriety may be made anonymously.
    - The Company investigates all reports and that any Company employee found to have engaged in misconduct will receive appropriate discipline, up to and including dismissal.
    - The CCO and E&C is available for consultation on any question a Company employee may have concerning the application of any standard of conduct to the Company's business operations or any other matter relating to the Company's expectations of ethical behavior.
- V. Internal Audit
- A. Internal Audit observes the OEC meetings.
  - B. Internal audit conducts an annual audit of the Compliance Program.
  - C. Copies of internal audit reports that relate to matters of the Company's policies regarding expectations of ethical behavior are provided to the CCO.

### **Special Provisions for allegations of Directors, Officers and Ethics and Compliance members**

- A. Allegations of misconduct will be reviewed and investigated by an investigator in a functional unit outside the reporting lines of the subject of the allegation.
- B. Allegations of misconduct of the CCO will be overseen by the General Counsel and investigated by an independent group.
- C. Allegations of misconduct of an Officer of the Company (excluding investigations of the CCO) will be reviewed and investigated by E&C with oversight of the OEC<sup>3</sup>.
- D. Allegations of misconduct of a Director of the Company will be reviewed, overseen and/or investigated by the Audit Committee (excluding the subject of the allegation if applicable).
- E. Allegations of misconduct by a member of Ethics and Compliance will be overseen by the General Counsel and investigated by an independent group.

**END**

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<sup>3</sup> Allegations of CEO misconduct will be promptly reported to the Audit Committee upon a rapid assessment of the viability of the allegation.